



GOLDEX
mines limited

ANNUAL REPORT/1975



GOLDEX
mines limited

OFFICERS	PAUL PENNA - - - - - <i>President</i> MIKEY DRUTZ - - - - - <i>Secretary-Treasurer</i>
DIRECTORS	EDWARD LESLIE BAXTER - Islington, Ontario IRVING DOBBS - - - - - Willowdale, Ontario MIKEY DRUTZ - - - - - Toronto, Ontario CHARLES KEAN - - - - - Timmins, Ontario GORDON W. KIRK, P.Eng. - - Haileybury, Ontario PAUL PENNA - - - - - Port Credit, Ontario
CONSULTING GEOLOGIST	W. A. HUBACHECK, B.Sc., P.Eng. - Toronto, Ontario
AUDITORS	STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL Chartered Accountants - - - - Toronto, Ontario
TRANSFER AGENT	GUARANTY TRUST COMPANY OF CANADA 88 University Ave. - - - - - Toronto, Ontario 427 St. James Street - - - - Montreal, Quebec
BANKERS	CANADIAN IMPERIAL BANK OF COMMERCE City Hall Branch - - - - - Toronto, Ontario
SOLICITORS	SHIBLEY, RIGHTON & McCUTCHEON - - - - - Toronto, Ontario
EXECUTIVE AND HEAD OFFICE	Suite 300, 365 Bay Street - Toronto, Ontario M5H 2V1
SHARES LISTED	MONTREAL STOCK EXCHANGE Montreal, Quebec Ticker Symbol "GLX"
ANNUAL MEETING OF SHAREHOLDERS	The Annual Meeting of Shareholders will be held at 10:30 a.m., Wednesday, March 31, 1976, at Suite 300, 365 Bay Street, Toronto, Ontario.



Directors' Report to the Shareholders

The Directors present the 1975 Annual Report of the Company which includes the audited financial statements for the fiscal year ended September 30, 1975.

A combination of events and circumstances inhibited the Company's efforts to thoroughly evaluate its gold mining property in Dubuisson Township, Quebec. The principal factor was the disappointing results from the bulk test treatment of 7,896 tons of development and stope ore during June, 1975 at the nearby custom mill yielding only 525.7 ounces of gold which was substantially below expectations based upon mine estimated grade averaging 0.181 ounce of gold per ton or a contained 1,146 ounces.

As previously reported in an interim statement to shareholders dated August 5, 1975 the reported average recovered grade of the ore at the custom mill was 0.067 ounce of gold per ton at a mill recovery rate of 98%. In an effort to resolve this appreciable discrepancy between the mine muck sample estimated grade and actual recovered grade from the June test shipment, the Company continued limited mining operations during August with the intention of making a further test shipment.

The cessation of operations at the custom mill of Malartic Gold Fields (Quebec) Limited and the lack of any suitable alternate testing facility within economic distance from the mine, frustrated this planned additional test shipment. This situation was further aggravated by the sharp drop in the price of gold from its peak of nearly \$200 per ounce at the end of 1974 to a level of \$160 at the end of the following August.

In view of these obviously adverse factors, the Company shut down operations at the mine in August. Further development of the orebody has been deferred and the project placed on stand-by until economic conditions are more favourable for the production of gold.

Although it is not directly material to the decision to suspend operations, the following recapitulation of the test shipments from the mine and summary of ore stockpiled during August prior to the shut down is presented for the information of shareholders:

Custom Mill Ore Shipments

<u>Tons of Ore Shipped</u>	<u>Mine Estimated Average Grade</u>	<u>Actual Recovered Average Grade</u>	<u>Mill Recovery Rate</u>
20,538 (a)	0.101	0.085	95%
7,896 (b)	0.181	0.067	98%

- (a) Shipped during 1973-74 from contract mining, consisting of 16,276 tons of bulk drift material and 4,262 tons of decline rock and some waste.
- (b) Shipped during June, 1975 from Company mining, consisting of approximately 80% development ore and 20% stope ore.



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Stockpiled Ore — August, 1975

At the time mining operations were suspended, a total of 5,469 tons of ore was stockpiled on the production pads with an estimated average grade of 0.210 ounce of gold per ton. Broken ore underground amounted to an additional 914 tons with an estimated average grade of 0.219 ounce of gold per ton.

The foregoing stockpiled ore has been secured and the adit and ventilation shaft closed in the orderly shut down of the mine. Subsequent to the year end, certain of the mobile and other equipment has been sold. It is anticipated that arrangements will be made to satisfy certain of the current liabilities, principally consisting of loans payable, in order to protect the main assets of the Company which are its wholly owned mining claims and other claims held under working option until 1981 with the right of two five year renewals on payment of \$15,000 for each renewal.

Any contemplated re-opening or resumption of mining operations will be dependent upon an increase in gold prices to an appropriate and sustained level appreciably above those currently prevailing. Availability of a custom milling facility will be another significant economic consideration.

On behalf of the Board of Directors,

Paul Penna
President

March 4, 1976

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Goldex Mines Limited as at September 30, 1975 and the statements of deficit, deferred preproduction expenditures, deferred administrative expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

These financial statements have been prepared on a going concern basis. However, the substantial deficit and excess of current liabilities over current assets raise doubt as to whether or not this basis is appropriate.

As outlined in Note 2 the Company's Dubuisson Township property has been placed on stand-by basis until economic conditions are such that it will be profitable to resume operations. Recovery of the Company's costs for mining claims, deferred preproduction and administration of approximately \$1,735,000 is therefore uncertain.

In view of the possible material effect of the above on the financial statements, we are unable to express an opinion on these financial statements.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL

Chartered Accountants

Toronto, Ontario
December 23, 1975



BALANCE SHEET

ASSETS

	As At September 30	
	1975	1974
Current Assets		
Cash	\$ 4,441	\$ 4,033
Marketable securities, at cost (quoted market value \$890; 1974 — \$1,200)	465	465
Sundry receivable	11,509	26,613
Loans receivable — 10%	16,000	330,052
Prepaid expenses	1,455	—
Equipment held for resale (Note 3)	202,285	—
	<u>236,155</u>	<u>361,163</u>
Investment in Probe Mines Limited (Note 1)	<u>1</u>	<u>391,956</u>
Fixed Assets (Note 3)		
Buildings and equipment	—	286,975
Mining Claims and Properties, at cost (Note 2)	<u>56,001</u>	<u>130,000</u>
Deferred Expenditures, per attached statements (Note 4)		
Preproduction expenditures	1,471,796	1,039,954
Administrative expenditures	206,940	101,021
	<u>1,678,736</u>	<u>1,140,975</u>
Organization Expenses, at cost	<u>13,764</u>	<u>13,764</u>
	<u>\$1,984,657</u>	<u>\$2,324,833</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Bank loan secured by shares of Probe Mines Limited	\$ 60,000	\$ 100,000
Accounts payable and accrued liabilities	55,542	149,150
Loans payable — 10%	514,011	—
	<u>629,553</u>	<u>249,150</u>
Shareholders' Equity		
Capital		
Authorized		
3,000,000 Shares without par value, maximum consideration not to exceed \$3,000,000		
Issued and Fully Paid		
2,450,001 Shares	2,148,001	2,148,001
Contributed Surplus	55,000	55,000
Deficit	(847,897)	(127,318)
	<u>1,355,104</u>	<u>2,075,683</u>
	<u>\$1,984,657</u>	<u>\$2,324,833</u>

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board of Directors:

PAUL PENNA, Director.

E. L. BAXTER, Director.

STATEMENT OF DEFICIT

	Year Ended September 30	
	1975	1974
Balance, beginning of year	\$ 127,318	\$ —
Add: Expenses re Probe Mines Limited proxy solicitation and litigation (Note 1)	14,261	127,318
Loss on revaluation of Probe Mines Limited shares to nominal value (Note 1)	391,955	—
Loss on revaluation of fixed assets to net realizable value (Note 3) ..	217,878	—
Loss on write-down of Riddell Township mining claims to nominal value (Note 2)	74,999	—
Riddell Township exploration expenditures written off (Note 2) .	21,486	—
Balance, end of year	<u>\$ 847,897</u>	<u>\$ 127,318</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF DEFERRED PREPRODUCTION EXPENDITURES

	Year Ended September 30	
	1975	1974
Dubuisson Property, Quebec		
Mine development	\$ 418,798	\$ 328,319
Consulting	54,535	59,912
Administration	19,325	29,858
Diamond drilling	—	11,705
Assays	—	9,790
Licences and taxes	163	137
	<u>492,821</u>	<u>439,721</u>
Less: Income from metal sales (Note 5)	40,593	141,374
	<u>452,228</u>	<u>298,347</u>
Riddell Property, Ontario (Written off)		
Licences and taxes	100	100
Consulting	1,000	—
	<u>1,100</u>	<u>100</u>
Total Expenditures for the Year	<u>453,328</u>	<u>298,447</u>
Balance Deferred, beginning of year	1,039,954	741,507
Less: Riddell Property expenditures written off	(21,486)	—
Balance Deferred, end of year	<u>\$1,471,796</u>	<u>\$1,039,954</u>

SUMMARY OF DEFERRED PREPRODUCTION EXPENDITURES

	As At September 30	
	1975	1974
Dubuisson Property, Quebec	\$1,471,796	\$1,019,568
Riddell Property, Ontario	—	20,386
	<u>\$1,471,796</u>	<u>\$1,039,954</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF DEFERRED ADMINISTRATIVE EXPENDITURES

	Year Ended September 30	
	1975	1974
Legal and audit	\$ 10,782	\$ 17,358
Shareholders' information	18,940	16,469
Head office services	21,000	21,000
Travel	197	3,530
Office and general expenses	5,027	4,100
Management wages	16,250	15,000
Advertising and promotion	3,263	4,087
Transfer agent fees	3,562	7,397
Bank charges and interest	34,903	9,226
Share certificate expense	—	3,220
Directors' fees	650	650
Listing and filing fees	325	460
	<u>114,899</u>	<u>102,497</u>
Less: Interest earned	8,980	26,613
Total Expenditures for the Year	105,919	75,884
Balance Deferred, beginning of year	101,021	25,137
Balance Deferred, end of year	\$ 206,940	\$ 101,021

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30	
	1975	1974
Source of Working Capital		
Reclassification of equipment to current	\$ 202,285	\$ —
Sale of capital stock	—	1,035,000
	<u>202,285</u>	<u>1,035,000</u>
Application of Working Capital		
Deferred preproduction expenditures (net)	453,328	298,447
Deferred administrative expenditures	105,919	75,884
Investment in Probe Mines Limited (Note 1)	14,261	225,287
Acquisition of equipment	133,188	286,975
Mining claims and properties	1,000	—
	<u>707,696</u>	<u>886,593</u>
Increase (Decrease) in Working Capital	(505,411)	148,407
Working Capital (Deficiency), beginning of year	112,013	(36,394)
Working Capital (Deficiency), end of year	\$ (393,398)	\$ 112,013

The accompanying notes form an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 1975

1. Investment in Probe Mines Limited

During the year, the Company's appeal against the outcome of a court decision concerning its litigation with Probe Mines Limited, et al was dismissed in the Supreme Court of Ontario. The expenses deferred in this regard in the amount of \$141,579 have been written off to deficit and the investment in Probe Mines Limited shares has been written down to nominal value as there is no quoted market value.

2. Mining Claims and Properties

The Company holds mining claims and properties acquired as follows:

	<u>1975</u>	<u>1974</u>
Dubuisson Township, Quebec		
7 mining claims (the Dalton Claims) and an option on 10 mining claims (the Probe Claims) at cost	\$ 56,000	\$ 55,000
Riddell Township, Ontario		
10 mining claims, at nominal value	<u>1</u>	<u>75,000</u>
	<u>\$ 56,001</u>	<u>\$ 130,000</u>

The Company has agreed to issue 50,000 shares for a consideration of 1¢ per share to the vendor of the Dalton claims at such time as commercial production of minerals from the claims commences.

The Probe Claims are held under a working option from Probe Mines Limited until July 28, 1981. The Company is entitled to two five year renewals of the working option on payment of \$15,000 for each renewal. At any time during the term of the working option or any renewal thereof the Company is entitled to elect to bring the claims into production on a commercial scale and on making such commitment the Company acquires absolute ownership of these claims subject to a royalty of 50% of the net profit from production of minerals from the claims which is payable to Probe Mines Limited.

In August, 1975, the Company shut down operations at its Dubuisson Township mine as the grade of ore recovered during test mill runs was too low to be economical at the prevailing market price for gold. The development of the ore body has been deferred and the project has been placed on stand-by until economic conditions are more favourable for the production of gold.

Management has determined that the Riddell Township claims are without value and accordingly have been written down to nominal value.

3. **Fixed Assets**

In order to reduce its working capital deficiency the Company is offering all of its equipment for sale. The fixed assets have been written down to net realizable value of approximately \$202,000. Subsequent to the year-end the Company sold approximately \$150,000 worth of this equipment to another mining company.

4. **Deferred Expenditures**

The amounts shown for deferred expenses represent costs to date and are not intended to reflect present or future values.

5. **Income from Metal Sales**

During the year some of the Company's ore was shipped to a nearby mill for custom milling. As the project has been placed on stand-by, this income has been credited against preproduction expenditures.

6. **Remuneration of Directors and Senior Officers**

Aggregate direct remuneration of directors and senior officers (as defined by the Business Corporations Act) during the fiscal year ended September 30, 1975 was \$81,896.

